

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

APPLICATION OF U.S. 60 WATER DISTRICT TO)	
ISSUE SECURITIES IN THE APPROXIMATE)	
PRINCIPAL AMOUNT OF \$500,000 FOR THE)	CASE NO.
PURPOSE OF REFUNDING CERTAIN)	2012-00407
OUTSTANDING REVENUE BONDS OF THE)	
DISTRICT PURSUANT TO THE PROVISIONS OF)	
KRS 278.300 AND 807 KAR 5:001)	

ORDER

U.S. 60 Water District (“U.S. 60 District”) has applied to the Commission for authority to enter into an Assistance Agreement with Kentucky Rural Water Finance Corporation (“KRWFC”) to borrow approximately \$500,000 to refund certain outstanding waterworks revenue bonds.¹

Having considered the record and being otherwise sufficiently advised, the Commission finds that:

1. U.S. 60 District proposes to execute an Assistance Agreement with KRWFC to borrow \$500,000 subject to an adjustment of up to 10 percent. The proposed loan will have a 20-year term with interest rates that vary from 3.15 percent to 4.15 percent per annum.²

¹ U.S. 60 District tendered its Application to the Commission on September 6, 2012. In its Application, it requested a deviation from 807 KAR 5:001, Section 11(2). On September 14, 2012, the Commission granted this request and accepted the Application for filing. No person or entity has sought intervention in this proceeding.

² App., Ex. A.

2. U.S. 60 District proposes to use the proceeds from the loan to refund the outstanding revenue bonds held by Rural Development³ that are designated U.S. 60 Water District Waterworks Revenue Bonds of 1985 ("1985 Bonds") and U.S. 60 Water District Waterworks Revenue Bonds of 1992 ("1992 Bonds").

3. Approximately \$254,000 of the 1985 Bonds remain outstanding.⁴ These Bonds bear interest at a rate of 7.625 percent per annum.

4. Approximately \$233,200 of the 1992 Bonds remain outstanding.⁵ These Bonds bear interest at a rate of 6.125 percent per annum.

5. U.S. 60 District estimates that its proposed refinancing will result in total gross savings and net present value savings of \$107,947 and \$89,066, respectively.⁶

6. U.S. 60 District will expend \$522,015 to refund the outstanding bonds and to pay bond issuance costs.⁷

7. U.S. 60 District's proposed loan is for a lawful object within its corporate purpose, is reasonably necessary and appropriate for and consistent with the proper performance of its service to the public, will not impair U.S. 60 District's ability to perform that service, and is reasonably necessary and appropriate for such purpose.

³ Rural Development is an agency of the U.S. Department of Agriculture.

⁴ App., Ex. D.

⁵ *Id.*

⁶ In Ex. C, the utility has identified "gross savings" and "net present value savings" as "net future value benefit" and "net present value benefit," respectively.

⁷ App., Ex. B. \$8,750 (Total Underwriter's Discount) + \$20,000 (Cost of Issuance) + \$491,313 (Deposit to Current Refunding Fund) + \$1,952 (Rounding) = \$522,015. The Sources of the Funds are \$500,000 (Par Amount of Bonds) + \$7,894 (Reoffering Premium) + \$14,121 (Transfers from Prior Issue Debt Service Funds) = \$522,015.

IT IS THEREFORE ORDERED that:

1. U.S. 60 District is authorized to enter into an agreement with KRWFC to borrow no more than \$550,000⁸ to retire the 1985 and 1992 Bonds, but only under such terms and conditions that will produce both positive gross savings and net present value savings.

2. If the actual terms and conditions of the agreement with KRWFC differ from those set forth in its Application, U.S. 60 District shall, within 30 days of executing the loan agreement, file with the Commission amortization schedules and work papers showing the actual gross savings and net present value savings that will result from the refinancing.

3. Within 30 days of executing the proposed agreement, U.S. 60 District shall file a copy of the executed Assistance Agreement and any documents referenced in the executed Assistance Agreement that U.S. 60 District has not previously filed with the Commission.

4. The proceeds from the Assistance Agreement shall be used only for the lawful purposes specified in U.S. 60 District's Application.

5. Any documents filed pursuant to ordering paragraphs 2 and 3 of this Order shall reference the number of this case and shall be retained in the utility's general correspondence file.

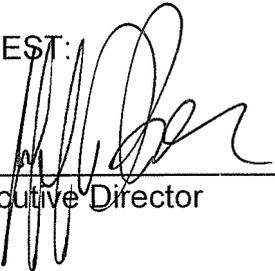
Nothing contained herein shall be construed as a finding of value for any purpose or as a warranty on the part of the Commonwealth of Kentucky or any agency thereof as to the securities authorized herein.

⁸ \$500,000 x 110 percent = \$550,000.

By the Commission

ENTERED *ML*
SEP 24 2012
KENTUCKY PUBLIC
SERVICE COMMISSION

ATTEST:



Executive Director

Case No. 2012-00407

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